

KENTUCKY ECONOMIC INDICATORS

February 2005 Indicators as of May 3, 2005

KY Composite Index of Leading Indicators increased 2.3 percent for February.

- The Leading Index increased for the fifth consecutive month.
- The Leading Index rose by 1.2 percent over the same month last year.
- Component indicators leaned positive, gainers over losers 3:2.
 - KY Labor Intensity Index decreased 0.4 percent.
 - + The US Leading Index increased 1.0 percent.
 - + The Index of KY Initial UI Claims increased 15.6 percent.
 - + US Retail Sales increased 6.0 percent.
 - The Louisville Help Wanted Index decreased by 1 point to 41.

Component weights for February are 49.98, 23.42, 14.63, 10.28 and 1.68 respectively.

KY Composite Index of Coincident Indicators increased 1.2 percent for February.

- The Coincident Index was positive for the first time this year.
- Same-month-last-year growth is positive for the nineteenth consecutive month at 2.2 percent.
- Component indicators were all positive this month, 3:0.
 - + KY Total Nonagricultural Employment increased 0.6 percent.
 - + US Industrial Production Index increased 2.3 percent.
 - + US Personal Income Less Transfers increased 1.2 percent.

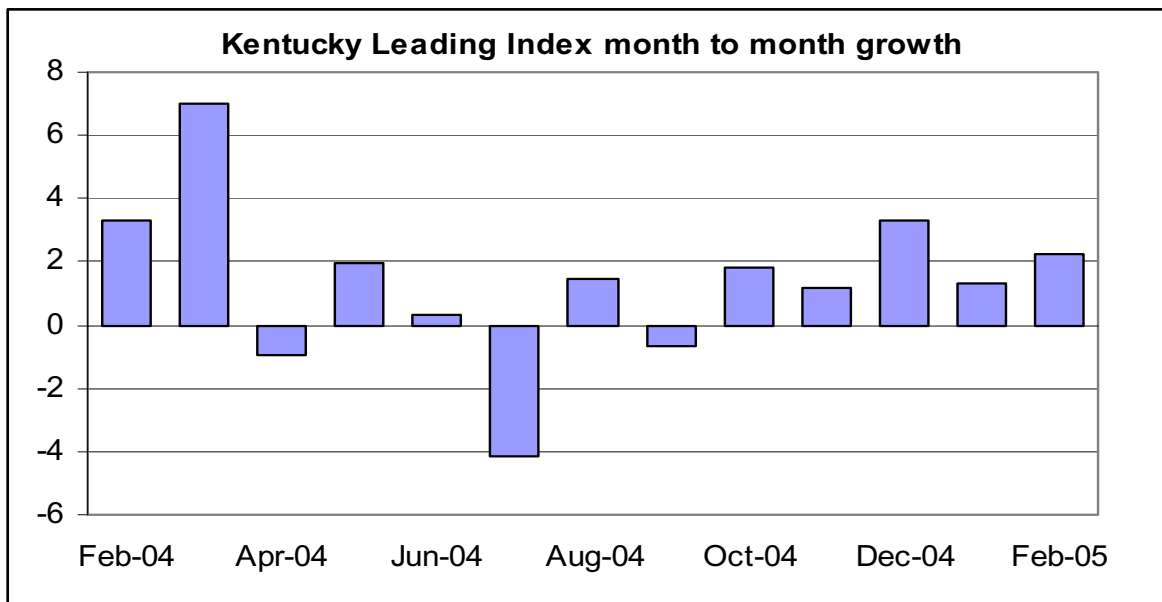
Component weights for February are 32.56, 29.84 and 26.75 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

Four of the five Kentucky Leading Index components changed directions this month. This is the third month in a row where the majority of Leading Index components changed directions. This indicates some uncertainty in the economy during the past three months. Nonetheless, the overall outlook from the February indicators is positive. The Kentucky Leading Index is positive for the fifth consecutive month. The overall labor market outlook is positive except for the slightly rising unemployment rate.

The Leading Index has now recovered 88.8 percent of the 2000 recession losses. The last peak was March 2000 where the Index was 114.5. The Index reached a trough of 110.0 in April 2003. Four of the five components have improved recently. The Kentucky Index of Unemployment Insurance Claims has been improving since April 2003. February is the first month that the series has been above 104 since June of 2000. Despite the small decline for February, the Kentucky Labor Intensity Index is doing remarkably well. The index, which carries the largest weight in the Leading Index, has made up 43 percent of the 2000 recession losses just since March of 2003. US Retail Sales have also improved over the last year and a half. Growth in the series has been positive for most of recent history, but recent growth has equaled the strongest in the series history, returning to those rates seen in the late 1990s. This is especially remarkable considering the “two steps forward and one step back” routine that was visible throughout most of 2004.

Total Kentucky nonagricultural employment rose by 0.6 percent in February. This is up nearly one percent since the same month last year, an amount consistent with the rate of recovery of the Leading Index series. Total nonagricultural employment has risen moderately since its regional trough of 1,777,400 in July 2003. Manufacturing employment has not fared nearly as well. Growth has been flat since February 2003. Kentucky’s manufacturing sector has lost over 10 percent (33,000 jobs) of its total since May of 2000.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2004												2005		
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB		
KY Leading Index (1992=100)	112.6	113.3	113.2	113.3	113.4	113.0	113.1	113.1	113.2	113.3	113.6	113.8	114.0		
% Chg Previous Month SAAR	3.3	7.0	-1.0	2.0	0.3	-4.2	1.5	-0.7	1.8	1.2	3.3	1.3	2.3		
% Chg Same Month Last Year	1.9	2.7	2.9	2.8	2.6	1.7	1.6	0.9	1.4	1.3	1.3	1.3	1.2		
KY Coincident Index (1992=100)	129.7	129.6	130.1	130.4	130.3	130.7	130.9	130.8	131.4	131.6	133.4	132.3	132.4		
% Chg Previous Month SAAR	4.5	-0.2	4.5	2.6	-0.8	3.4	2.3	-1.0	5.9	1.5	18.2	-9.7	1.2		
% Chg Same Month Last Year	1.9	2.0	2.6	2.6	2.4	2.5	2.6	2.2	2.4	2.1	3.3	2.4	2.2		
KY Nonag Employment (000s)	1,790.7	1,792.7	1,796.4	1,793.6	1,796.5	1,789.7	1,796.7	1,798.6	1,801.0	1,800.7	1,802.7	1,802.4	1,803.3		
% Chg Previous Month SAAR	0.3	1.3	2.5	-1.9	2.0	-4.4	4.8	1.3	1.6	-0.2	1.3	-0.2	0.6		
% Chg Same Month Last Year	0.6	0.6	1.0	0.7	1.0	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7		
KY Mfg Employment (000s)	264.5	264.3	264.2	264.5	264.2	258.2	264.6	264.4	265.5	264.7	264.2	264.6	264.7		
% Chg Previous Month SAAR	-0.9	-0.9	-0.5	1.4	-1.4	-24.1	34.2	-0.9	5.1	-3.6	-2.2	1.8	0.5		
% Chg Same Month Last Year	-1.4	-0.9	-0.4	-0.2	-0.1	-2.4	0.1	0.0	0.5	0.2	-0.2	0.0	0.1		
KY Unemployment Rate (%)	5.5	5.6	5.7	5.7	5.7	5.6	5.7	5.8	5.7	5.9	6.0	6.0	6.2		
KY Index of Initial UI Claims	101.4	102.3	102.3	102.4	102.7	101.7	101.9	102.4	102.9	102.3	103.0	102.8	104.0		
% Chg Previous Month SAAR	-4.4	10.7	0.0	1.6	3.0	-10.2	2.4	5.1	6.5	-6.5	8.5	-2.9	15.6		
% Chg Same Month Last Year	1.7	3.5	3.6	3.2	3.4	1.8	1.7	2.3	1.9	1.1	1.7	1.0	2.6		
KY Labor Intensity Index (1992=100)	104.8	104.8	105.1	105.1	105.0	104.9	105.1	105.1	105.2	105.3	105.3	105.7	105.6		
% Chg Previous Month SAAR	2.2	0.6	3.1	-0.1	-0.8	-1.6	2.3	0.8	0.1	1.4	0.7	4.0	-0.4		
% Chg Same Month Last Year	0.2	0.9	1.1	1.0	1.0	0.6	0.7	0.7	0.7	0.7	0.8	1.0	0.8		
Louisville HWI (1992=100)	55.0	56.0	51.0	48.0	51.0	45.0	47.0	40.0	41.0	42.0	41.0	42.0	41.0		
% Chg Previous Month SAAR	213.8	24.1	-67.4	-51.7	107.0	-77.7	68.5	-85.6	34.5	33.5	-25.1	33.5	-25.1		
% Chg Same Month Last Year	-8.3	-3.4	2.0	2.1	4.1	-10.0	0.0	-45.2	-18.0	-14.3	-28.1	-16.0	-25.5		
GF Total Tax Receipts (\$ mill)	462.6	509.3	721.1	479.5	633.7	519.1	513.4	655.0	563.6	587.9	709.7	659.6	500.8		
% Chg Same Month Last Year	10.2	16.3	3.5	15.1	2.6	10.2	11.7	4.1	6.3	10.7	5.0	13.1	8.3		
GF Sales & Use Receipts (\$ mill)	164.0	185.0	217.5	205.6	199.7	226.1	211.7	206.6	224.0	201.1	217.7	271.4	176.3		
% Chg Same Month Last Year	8.9	11.7	8.9	8.1	4.2	8.6	7.3	3.1	5.0	1.0	4.7	8.8	7.5		
GF Income Tax Receipts (\$ mill)	217.3	142.0	366.6	189.6	270.2	224.2	245.2	272.2	249.9	230.2	259.0	252.6	231.5		
% Chg Same Month Last Year	6.1	21.4	3.4	19.8	0.8	8.5	9.4	-0.3	9.5	2.8	4.6	21.9	6.6		

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2004												2005		
	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB		
US Leading Index (1982=100)	114.8	115.7	115.8	116.3	116.2	116.0	115.7	115.4	115.1	115.5	115.8	115.5	115.6		
% Chg Previous Month SAAR	1.1	9.8	1.0	5.3	-1.0	-2.0	-3.1	-3.1	-3.1	4.3	3.2	-3.1	1.0		
% Chg Same Month Last Year	3.9	4.7	4.6	4.2	3.8	2.9	2.3	1.9	1.2	1.3	1.3	0.7	0.7		
US Coincident Index (1992=100)	116.1	116.6	116.9	117.2	117.2	117.5	117.7	117.7	118.2	118.4	119.8	119.2	119.3		
% Chg Previous Month SAAR	3.2	5.3	3.1	3.1	0.0	3.1	2.1	0.0	5.2	2.0	15.1	-5.8	1.0		
% Chg Same Month Last Year	2.0	2.5	2.8	2.8	2.5	2.5	2.8	2.5	2.7	2.5	3.5	2.9	2.8		
US Nonag Employment (mil)	130.5	130.8	131.1	131.4	131.5	131.6	131.8	131.9	132.2	132.3	132.4	132.6	132.8		
% Chg Previous Month SAAR	0.9	3.0	3.1	2.3	1.0	0.8	1.7	1.2	2.6	1.2	1.4	1.1	2.2		
% Chg Same Month Last Year	0.3	0.7	1.0	1.2	1.3	1.3	1.5	1.5	1.6	1.6	1.7	1.7	1.8		
US Unemployment Rate (%)	5.6	5.7	5.5	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4	5.2	5.4		
US Initial Claims for UI (000s)	355.5	340.4	343.6	341.3	336.0	343.6	342.4	349.1	341.6	336.6	331.2	331.4	306.9		
% Chg Previous Month SAAR	0.7	-40.6	11.9	-7.7	-17.1	30.8	-4.1	26.2	-22.9	-16.2	-17.6	0.7	-60.2		
% Chg Same Month Last Year	-13.4	-19.0	-21.0	-19.4	-19.8	-14.0	-14.5	-12.6	-10.6	-8.7	-8.6	-6.7	-13.7		
US Industrial Production Index	114.4	114.1	114.7	115.5	115.1	115.9	116.0	115.7	116.6	116.9	117.9	117.9	118.2		
% Chg Previous Month SAAR	13.5	-3.3	6.8	8.7	-4.2	8.8	1.1	-3.3	10.1	3.1	10.3	0.4	2.3		
% Chg Same Month Last Year	3.1	3.2	4.7	5.4	4.7	4.8	5.0	3.9	4.6	3.8	4.4	4.2	3.3		
US Personal Inc. Less Trans. (bil 92\$)	7,549.0	7,558.0	7,596.9	7,614.5	7,612.0	7,667.1	7,676.2	7,666.1	7,721.0	7,735.3	8,064.0	7,810.6	7,818.4		
% Chg Previous Month SAAR	1.8	1.4	6.4	2.8	-0.4	9.0	1.4	-1.6	8.9	2.2	64.8	-31.8	1.2		
% Chg Same Month Last Year	3.1	3.2	3.4	3.0	2.7	3.2	3.2	2.9	3.1	2.6	6.8	3.6	3.6		
CPI, All Urban (1982-84=100)	186.5	187.3	187.7	188.8	189.3	189.2	189.3	189.6	190.7	191.2	191.2	191.3	192.0		
% Chg Previous Month SAAR	3.9	5.3	2.6	7.3	3.2	-0.6	0.6	1.9	7.2	3.2	0.0	0.6	4.5		
% Chg Same Month Last Year	1.7	1.7	2.3	3.0	3.2	2.9	2.7	2.5	3.2	3.6	3.4	2.9	2.9		
US Retail Sales (bil 84\$)	314.0	320.6	318.3	323.0	321.3	324.0	323.7	329.4	332.3	332.4	336.6	336.8	338.4		
% Chg Previous Month SAAR	8.0	28.3	-8.0	19.3	-6.2	10.6	-1.2	23.5	10.8	0.4	16.2	0.7	6.0		
% Chg Same Month Last Year	7.7	7.8	7.1	9.0	6.6	6.6	4.8	7.6	8.6	7.3	8.9	8.0	7.8		
Manufacturing & Trade Sales (000s)	898.8	921.9	916.1	916.9	920.2	925.4	928.7	930.5	931.6	933.5	947.3	952.6	*956.5		
% Chg Previous Month SAAR	6.1	35.6	-7.4	1.1	4.4	7.0	4.4	2.3	1.5	2.4	19.3	6.9	5.0		
% Chg Same Month Last Year	7.2	8.8	8.0	7.5	6.4	5.5	6.4	5.9	5.5	5.1	5.8	6.5	6.4		
US Consumer Expectations (1966=100)	88.5	88.8	87.3	81.6	88.5	91.2	88.2	88.0	83.8	85.2	90.9	85.7	84.4		
% Chg Previous Month AR	-77.2	4.1	-18.5	-55.5	164.9	43.4	-33.1	-2.7	-44.4	22.0	117.5	-50.7	-16.8		
% Chg Same Month Last Year	26.6	27.6	10.1	-10.7	2.4	9.0	6.9	8.9	1.0	-3.3	1.2	-14.4	-4.6		
Ave. Prime Interest Rate (%; NSA)	4.00	4.00	4.00	4.00	4.00	4.25	4.42	4.58	4.75	4.93	5.14	5.25	5.49		
*ARIMA estimation															